

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

FELONY

BILL OF INFORMATION FOR MAIL FRAUD

UNITED STATES OF AMERICA	*	CRIMINAL DOCKET NO.	
v.	*	SECTION:	
JUDITH ZABALAOUI	*	VIOLATIONS:	18 U.S.C. § 1341 18 U.S.C. § 2
	* * *		

The United States Attorney charges:

COUNTS 1 - 5

A. AT ALL TIMES MATERIAL HEREIN:

1. The defendant, **JUDITH ZABALAOUI**, (hereinafter referred to as **ZABALAOUI**) was a registered Certified Financial Planner.

2. **ZABALAOUI** founded a local company in Metairie, Louisiana, in 1974, for the purpose of assisting individuals with their investing needs. She left the company in 1991, although she retained several clients with whom she had established professional and personal relationships.

3. After Hurricane Katrina in 2005, **ZABALAOUI** relocated to Birmingham, Alabama until she could finish repairs on her Metairie, Louisiana residence.

4. **ZABALAOUI** was able to continue business with her clients as her bank accounts and the client bank accounts were located in the Eastern District of Louisiana. She continued to operate her financial consulting/investing business until December 2007.

5. These clients all resided in the Eastern District of Louisiana at the time they hired **ZABALAOUI** to assist them with financial planning and at all times mentioned in the bill of information. **ZABALAOUI** mailed the clients' account statements to the clients' respective residences in the Eastern District of Louisiana. The statements were mailed from **ZABALAOUI's** Metairie, Louisiana residence and later, from her Birmingham, Alabama residence.

6. The defendant, **ZABALAOUI**, had access and control over at least four bank accounts at Omni Bank in Metairie, Louisiana. The first account was opened on March 11, 1997 and the final account was opened on April 16, 2004.

7. Two of the accounts were in the names of Paragon Co., Inc (hereinafter referred to as Paragon) and Baines Bailey Space & Direct (hereinafter referred to as Baines Bailey).

8. Clients would either write checks made out to Paragon or allow **ZABALAOUI** to wire money from their accounts to her accounts at Omni Bank. The clients thought the money would then be routed to the appropriate companies to be invested.

9. The United States Postal Service was used as the method of delivery of the false account statements to clients.

B. THE SCHEME TO DEFRAUD

On or about January 1993, and continuing to the date of this bill of information, in the Eastern District of Louisiana and elsewhere, **ZABALAOUI** did knowingly and willfully devise and intend to devise a scheme and artifice to defraud and to obtain money and/or property by means of

false pretenses, promises and representations by persuading her clients to invest in companies that did not exist, in order to divert client investment funds into bank accounts controlled by her, which she then used for her personal benefit.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** was in a position of trust as an investment consultant for, among others, individuals known and identified by their initials for privacy purposes as P.S., B.W., L.C., D.C., D.C., A.C., E.C., A.V., K.V., M.C., G.F., C.D., B.D., K.J., J.P., D.T., J.T., E.T., M.W., P.Y., E.F., J.F., D.F., R.H., J.H., W.P., K.P., R.H., J.M., P.S., M.L., L.L., B.G., M.D., and M.J.

It was part of the scheme and artifice to defraud that **ZABALAOUI** was able to use each client's power of attorney to gain access to the client's funds.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** convinced clients to invest in a fraudulent company, Paragon. She explained that Paragon's investments ranged from purchasing municipal bonds, tax liens, and the purchasing of real estate at cheap prices after foreclosure or bankruptcy, that would later be sold at a profit, and thus realizing the investor guaranteed gains ranging from 13% to 26%.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** represented that the investments would be purchased in "units" rather than shares, thus negating the need to provide documentation such as stock or bond certificates.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** indicated that these "units" could be redeemed at any time.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** indicated that these investments were "safe."

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** attempted to make Paragon appear to be a valid corporation with a valid address by renting a mail box at a UPS store in Montrose, Colorado, as well as incorporating the company name with the Louisiana Secretary of State in 1992.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** placed this UPS address and mailbox number onto correspondence with a purported Paragon letterhead, but referred to the mailbox number as a “suite” number.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** set up a phone line with an answering service in the event clients called with questions about their alleged investments.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** set up an additional phone line with a fax number for Paragon that was actually the fax number for the UPS store in Montrose, Colorado.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** would deposit the checks or wire transfers that she received from clients to invest in Paragon, into the Paragon bank account at Omni Bank, in Metairie, Louisiana.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** created a fictitious person, Patrice Jacobs, that was allegedly employed by Paragon.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** created another fraudulent company, Omni Clearing, that was purportedly a small financial services firm offering services and products exclusively through personal financial consultants.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** set up a website for Omni Clearing, listed as <http://www.omniclearing.com>, together with a phone number, and physical address. This physical address was located in Dover, Delaware and like Paragon, the address was that of a local UPS store, with the mailbox number listed as a suite number.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** would deposit the checks or wire transfers that she received from clients to invest in Omni Clearing, into her Baines Bailey bank account at Omni Bank, in Metairie, Louisiana.

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** created three fictitious people, Patrice Jacobs, Nigel Leigh and Craig Anderson, that were allegedly employed by Omni Clearing.

It was further a part of the scheme and artifice to defraud that when clients had questions regarding their accounts or when they could withdraw money, **ZABALAOUI** would create fictitious emails or letters between herself and these fictitious people, regarding either Paragon or Omni Clearing, and then mail them to the clients in an attempt to show the clients that she was trying to obtain funds for them, but that the nature of the investments did not allow for an immediate liquidation of funds. This allowed her time to persuade other clients to invest in Paragon or Omni Clearing, so that she could then pay back the clients that requested liquidation, with the misappropriated funds that she just received for the new "investments."

It was further a part of the scheme and artifice to defraud that **ZABALAOUI** created false statements, along with fraudulent account balances showing gains, and mailed them to her clients representing that the investments had been purchased, when in fact no money had been invested, and

failed to report that the money had been transferred into personal accounts controlled by **ZABALAOUI**.

As a result of the scheme, **ZABALAOUI** fraudulently obtained approximately \$3,000,000, which was misappropriated to pay for personal expenses such as utilities for her family and others, clothing, credit card balances, mortgages, medical care for her family, her husband's family, her assistant's family and others, rent and living expenses for apartments for friends, food for her family and others, as well as vacations.

C. MAILINGS IN FURTHERANCE OF THE SCHEME AND ARTIFICE TO DEFRAUD

On or about the dates set forth below, each such date constituting a separate count of this bill of information, in the Eastern District of Louisiana, the defendant, **ZABALAOUI**, for the purpose of executing the aforesaid scheme and artifice to defraud, did place and cause to be placed in an authorized depository for United States mail, the following mail matter described below addressed to the addressee below to be delivered by the United States Postal Service according to the directions thereon:

Count	Date	Sender's Address	Addressee	Mail Matter and Contents
1	April 30, 2005	Judith Zabalaoui 2901 Ridgelake Drive Suite 107 Metairie, LA 70002	B.W. New Orleans, LA 70130	Paragon account statement falsely reporting that B.W.'s Paragon account was worth \$610,547.80, when in fact the account balance was \$0.00
2	December 31, 2005	Judith Zabalaoui 105 Lakeshore Ridge Birmingham, AL 35211	L.C./D.C. New Orleans, LA 70124	Paragon account statement falsely reporting L.C./D.C.'s Paragon account was worth \$43,332.35, when in fact the account balance was \$0.00

Count	Date	Sender's Address	Addressee	Mail Matter and Contents
3	December 31, 2005	Judith Zabalaoui 105 Lakeshore Ridge Birmingham, AL 35211	E.C. New Orleans, LA 70115	Paragon account statement falsely reporting that E.C.'s Paragon account was worth \$299,459.95, when in fact the account balance was \$0.00
4	February 28, 2007	Judith Zabalaoui 314 Lakeshore Ridge Birmingham, AL 35211	A.C. Mandeville, LA 70448	Paragon account statement falsely reporting that A.C.'s Paragon account was worth \$168,094.48, when in fact the account balance was \$0.00
5	April 2007	Paragon 236 South Third Street Suite 204 Montrose, CO 81401	D.C. Bush, LA 70431	2006 IRS tax form 1099-INT showing \$47,708 in interest income, when in fact there was no interest income

All in violation of Title 18, United States Code, Sections 1341 and 2.

NOTICE OF MAIL FRAUD FORFEITURE

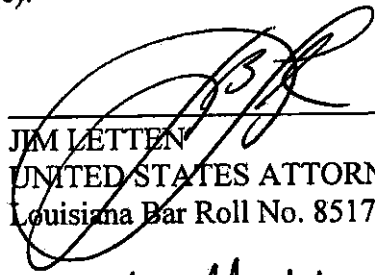
1. The allegations of Counts 1 through 5 of this Bill of Information are re-alleged and incorporated by reference as though set forth fully herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, Section, 1341 and 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c).

2. As a result of the offenses alleged in Counts 1 through 5, the defendant, **JUDITH ZABALAOUI**, shall forfeit to the United States pursuant to Title 18, United States Code, Sections 1341 and 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c), any and all property, real or personal, which constitutes or is derived from proceeds traceable to violations of Title 18, United States Code, 1341, including but not limited to:


approximately \$3,000,000 in United States currency and all interests and proceeds traceable thereto.

3. If any of the above described property, as a result of any act or omission of the defendant:
- a. cannot be located upon the exercise of due diligence;
 - b. has been transferred or sold to, or deposited with, a third person;
 - c. has been placed beyond the jurisdiction of the Court;
 - d. has been substantially diminished in value; or
 - e. has been commingled with other property which cannot be subdivided without difficulty;


it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property; All in violation of Title 18, United States Code, Section 1341 and 981(a)(1)(C), made applicable through Title 28, United States Code, Section 2461(c).



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New Orleans, Louisiana
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